

SUMMARY OF THE PROPOSED ACTION PLAN AMENDMENT (AMENDMENT 1) FOR FY 2006 CDBG DISASTER RECOVERY FUNDS

Governor Blanco and the Louisiana Recovery Authority (LRA) propose a housing action plan for Supplemental Community Development Block Grant (CDBG) funds administered by the U. S. Department of Housing and Urban Development (HUD). The LRA and Office of Community Development, Division of Administration (OCD/DOA), in consultation with many housing advocacy groups and affected units of local governments, have developed the proposed housing action plan, known as *The Road Home* Housing Program, for a portion of the Supplemental CDBG funds. This Plan, which is subject to legislative approval, proposes the allocation of currently available Supplemental CDBG funds for the following activities: Homeowner Assistance Program (\$3.552 Billion), Workforce and Affordable Rental Program (\$0.893 Billion), Homeless Supports (\$0.026 Billion), Developer Incentives (\$0.021 Billion), Code Enforcement (\$0.011 Billion), Administration (\$0.149 Billion), Planning (\$0.0095 Billion), and Technical Assistance (\$0.012 Billion).

The programs described herein are based on the best available information on housing needs, housing costs, potential public funding and the ability of the programs to leverage private resources. In addition to Supplemental CDBG funds already appropriated, President Bush has asked Congress to appropriate an additional \$4.2B in CDBG dollars to fully fund *The Road Home* Housing Program. Budget allocations outlined in this document include partial funding levels, based upon CDBG amounts currently available, and full funding levels. Full funding levels will take effect following appropriation of the additional, required dollars. If federal agencies require changes to the State's plans or Congress does not provide additional, sufficient funding, Louisiana will be required to modify these proposed plans.

Purpose of the Proposed Programs

- Repair and rebuild quality housing in neighborhoods that are safe to live in;
- Restore pre-storm value to homeowners who want to return;
- Provide affordable rental housing opportunities for displaced residents; and
- Provide housing for the return of critical workforce.

Components of the Proposed Housing Action Plan (Amendment 1) (Partial funding \$4.582 Billion Total; Full funding \$8.062 Billion Total)

A. The Road Home Homeowner Assistance Program (Partial funding \$3.552 Billion; Full Funding \$6.347 Billion)

Financial incentives and advisory services will be available for homeowners who wish to:

- Repair – incentives to promote rehabilitation
- Rebuild – financial incentives to reconstruct on the same site if repair is infeasible or not economically viable;
- Buyout/Relocate – purchase of the home by the program in exchange for an agreement to resettle in Louisiana; or
- Sell – voluntary sale of the home with no requirements to resettle or otherwise remain in the community.

1. Eligibility for Homeowner Assistance (Applicants must meet all of the requirements below to receive compensation)

- The owner must be able to prove ownership and that he or she occupied the property as a primary residence at the time of the Katrina/Rita disasters, prior to August 29, 2005;
- The home must in be a single-unit structure or double unit structure; and
- The owner must have registered for FEMA Individual Assistance and the home must be categorized by FEMA as having been "destroyed" or having suffered "major" damage. Homeowners who were approved by FEMA for \$5,200 or more in FEMA home repair assistance (a component of the Individual Assistance Program) will fall into one of these categories. Homeowners who did not receive notification from FEMA on the level of their damage, or who were declared ineligible for FEMA assistance, will still be eligible for *The Road Home* assistance, and damage severity will be determined by alternative means.
- The owner may assign eligibility for assistance to a new owner, provided all assistance requirements are met.

Until *The Road Home* is fully funded by the additional appropriation, this Action Plan amendment proposes to provide an initial installment of assistance to homeowners toward their full assistance of up to \$150,000. To provide this installment, a homeowner's eligible assistance will be calculated under the fully funded program design and then distributed as half of that amount. Upon receipt of additional federal funds, the Homeowner Assistance Program will be expanded to provide full assistance.

2. Requirements for Receiving Homeowner Assistance

- Be willing to sign a release so that information given to FEMA can be verified by the Program;
- Independently from FEMA, agree to verification of ownership status and the amount of disaster-related damage to the home;
- Swear to the accuracy and completeness of all information provided to the Program under penalty of law;
- Agree to sign a legally binding agreement that commits the owner to the following terms and conditions on certain actions listed under A3 and A4 in exchange for compensation:
 - Occupy a home that meets the legal requirements of the State Uniform Construction Code, complies with local zoning, and complies with the latest available FEMA guidance for base flood elevations, unless exceptions are granted by the LRA based on reasonable alternatives where safety is not minimized;
 - Assure the home will remain owner-occupied for at least three years after the repairs/replacement or a new purchase;
 - Maintain hazard insurance and flood insurance;
 - Subrogate claims for unpaid and outstanding insurance claims back to the Program;
 - If relocating, move to another home in Louisiana; and
 - Ensure mitigation efforts are undertaken, if mitigation can be done to make a home safer and are cost beneficial to undertake, and if the homeowner's eligible assistance allows funds for such purposes.

3. Amounts and Forms of Homeowner Assistance

- The program will provide financial incentives for homeowners to repair or rebuild their homes on the same site, or to accept a state buyout of the home when relocating within Louisiana.
- Homeowners remaining in Louisiana will be eligible for assistance in three tiers: a compensation grant to cover losses to the home and restore pre-storm value; a hazard mitigation grant, whenever the home can be repaired or rebuilt with cost-effective mitigation measures; and an affordable loan for any gap between the damaged home's pre-storm value and allowed repair/rebuilding costs.
- The maximum value of assistance to these homeowners will be home damages less insurance and FEMA repair payments, plus mitigation costs, plus an affordable incentive loan, not to exceed \$150,000 when the program receives full funding.
- If sufficient funds are not made available or demand exceeds availability, the maximum amount (\$150,000) will be lowered. This amendment proposes to allocate half of the homeowner's total assistance until the additional \$4.2 billion is appropriated by Congress.
- Some portion of a homeowner's assistance may come from the Hazard Mitigation Grant Program, through the federal Stafford Act.
- The state may also offer an additional incentive for homeowners who choose to repair, rebuild, or resettle within their original parish.
- Please review the full Action Plan for examples of various homeowner situations with flood insurance and without flood insurance. The examples also describe how typical assistance payments will work.
- For homeowners who were living in a flood plain without flood insurance, the grant portion of assistance will be reduced by 30%.

4. Sale

- The State will compensate some homeowners who choose not to remain a Louisiana owner-occupant for 60% of the home's pre-disaster value, less insurance and FEMA repair funds. Sale compensation will not exceed repair or rebuilding costs for the home.
- Properties acquired through *The Road Home* Homeowner Assistance program will be either redeveloped to be returned to commerce or preserved as green space, in a manner which is consistent with local land use plans and direction. The proceeds from sale of redeveloped property will be reinvested in the comprehensive community redevelopment activities already supported by Supplemental CDBG funds allocated through state programs. The priorities of recycled funds shall include housing restoration, affordable housing for homeowners and renters, infrastructure enhancements, and economic development activities designed to help recreate strong communities which are closely tied to transit, jobs, and public services.

5. Homeowner Assistance Centers (HACs) – Process for Receiving Assistance

- Eligible homeowners will be notified by mail and telephone to the greatest extent possible of the opportunity to apply for assistance. Information about financing programs and counseling services will be posted on public websites as well as provided through other resources such as HACs that will be established in various locations. Citizens may also register key information about their damaged homes by calling 888-ROAD 2 LA (888-762-3252; TTY 1-800-566-4224) or by logging on to a one-stop web portal - www.LouisianaRebuilds.info. The registry currently is only for owner-occupied homes damaged by hurricanes Katrina or Rita.
- Assistance Centers will be directed by the program management firm and staffed by contracted experts, which may include Louisiana based non-profit organizations specializing in providing outreach and advisory services to homeowners.

B. Restoration of Homeless Housing Shelter Capacity (Partial and Full funding \$26 Million)

- Address the increased homeless needs in impacted areas by increasing beds, facility capacity, supportive services for the homeless, and providing prevention assistance to those persons who are at risk of becoming homeless.
- The highest priority for the use of these funds will be to repair and restore shelter capacity, transitional housing and permanent supportive housing that existed prior to Hurricanes Katrina and Rita. The cost of restoring this capacity is estimated to be \$3 million to \$5 million.
- A second priority will be the acquisition and rehabilitation of new permanent supportive housing and services by non-profits in the hurricane-affected areas.
- The third priority will be homeless prevention assistance to serve the hurricane affected areas, however not to duplicate any existing federal subsidies for this purpose.
- The remaining priorities would fund services for families that experienced severe trauma and would also support the creation and expansion of employment and housing search services for this population.

C. Workforce and Affordable Rental Housing Program (Partial funding \$0.893 Billion; Full funding \$1.536 Billion)

The *Road Home* rental programs are targeted at ensuring adequate housing is available for the workforce engaged in recovery work, ensuring affordability and supportive services for low income households, and ensuring the development of mixed income communities. To achieve these goals, the programs described below prioritize **deep affordability** of rental units and the balanced allocation of these deeply affordable units within **mixed income communities**. The program will create an estimated 36,000 to 51,000 units, in a broad mixture of deeply affordable units, mixed income development, small rental properties, and other tax credit projects.

1. Low-Income Housing Tax Credit (LIHTC) "PiggyBack" Program (Partial funding \$312 Million; Full funding \$552 Million)
 - Combine special GO Zone allocation of LIHTC with CDBG funds over 3 years to generate new or repaired rental units, of which a portion will be rental units at below-market rents. The PiggyBack Program will be competitively allocated.
2. Flexible Incentives for Mixed-Income Development (Partial and Full funding \$42 Million)
 - Provide recoverable grants for infrastructure or land to developers which offer rents or sales prices of housing to families above and below 80% area median income (AMI). The Mixed-Income Development Incentives will be competitively allocated.
3. Supportive Housing Services (Partial funding \$47 Million; Full funding \$73 Million)
 - Provide funding for supportive services to households with income at or below 30% of AMI to serve individuals with special needs.
4. Small Rental Property Repair Program (Partial funding \$493 Million; Full funding \$869 Million)
 - Provide gap financing up to \$25,000 for a rental unit renting at Fair Market Rental rates, and up to \$75,000 per unit renting below market rates, with the maximum amount of subsidy going for rental units where rents are affordable for families with incomes at or below 50% AMI. . The Small Rental Property Repair Program will be competitively allocated.

5. Renter Registry
 - The Call Center will be expanded to gather information on renters seeking housing to inform them of available resources.

D. Developer Incentives (Partial and Full funding \$21 Million)

Incentives will be provided to attract new mixed-income housing development.

1. Housing Development Fund (Partial and Full funding \$17 Million)
 - Provide seed funding for a contractor or state agency to establish one or more loan pools for acquisition and redevelopment financing with flexible terms.
2. Land Assembly Program (Partial and Full funding \$2 Million)
 - Provide seed money to acquire properties in good locations for replacement housing. To maximize affordable housing, these properties will be packaged to sell or grant to developers.
 - Properties assembled through the buy-out program may also be offered to developers.
3. Support for Faith- and Community-Based Housing Recovery Programs (Partial and Full funding \$2 Million)
 - Provide funding to strengthen and support non-profit and faith-based organizations providing housing recovery services.

E. Local Government Building Code Enforcement Program (Partial and Full funding \$11 Million)

- Provide funding to support training and hiring of field inspectors, plan reviewers and support staff at the local level to aid in state and local building code compliance and removing barriers to reconstruction.

F. Administration (Partial Funding \$148.68 Million; Full funding \$189.880 Million)

- The State is reducing overall Administration dollars from \$298.08 million which was requested in the first Action Plan to \$148.68 million for the partially funded program and \$189.880 million for the fully funded program. This is the total funding allocated for both state and local agencies for staff and related costs to review, process, approve, oversee, monitor and evaluate all recovery projects supported by Supplemental CDBG dollars and the compliance of projects with extensive federal, state and local regulations and guidelines. CDBG regulations permit the use of as much as 5% of the grants for these administrative purposes; the fully funded allocation of administrative funds totals 2.4% of the Supplemental CDBG funds appropriated to Louisiana.

G. Planning (Partial and Full Funding \$9.5 million)

- With this amendment, the State is requesting \$9.5 million of which \$0 was requested in the first action plan. The Louisiana Recovery Authority (LRA) develops priorities for the utilization of CDBG Disaster Funds. The LRA's board is organized into task forces in areas such as Economic Development and Workforce Development, Public Health and Health Care, Human Services, Infrastructure, Environmental, Housing and Education. The roles of these groups include the development of best practices based on strategic plans to guide the recovery and rebuilding process and the efficient use of funds as well as to make recommendations to the LRA Board on programs funded through the CDBG program.
- Data gathering and research of best practices will be an important role of the LRA. The results of these efforts will be used to develop priorities and programs. The LRA through its various task forces will work with OCD in the design of programs and activities to meet the goals and objectives identified in the State's plan. In addition, LRA will evaluate the progress of such programs in accomplishing these goals and objectives.

H. Technical Assistance (Partial and Full Funding \$12.4 million)

- With this amendment, the State is requesting \$12.420 million, of which \$500,000 was requested in the first action plan. The LRA will provide assistance to local governments to help plan and implement long term recovery strategies. OCD will provide pre-application workshops for local governments as well as implementation workshops. One-on-one technical assistance will be provided to those local governments experiencing performance problems.